

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SPECIAL INVESTIGATION REPORT

OF

WHITE RIVER VALLEY SCHOOL DISTRICT

GREENE COUNTY, INDIANA

August 1, 2015 to January 31, 2017



**FILED**  
06/28/2019



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WHITE RIVER VALLEY SCHOOL  
DISTRICT, GREENE COUNTY, INDIANA

This is a special investigation report for the White River Valley School District (School Corporation), for the period August 1, 2015 to January 31, 2017, and is in addition to any other report for the School Corporation as required under Indiana Code 5-11-1. All reports pertaining to the School Corporation may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with the student cafeteria accounts of the Food Service Director's children.

The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

May 8, 2019

WHITE RIVER VALLEY SCHOOL DISTRICT  
RESULTS AND COMMENTS

**BACKGROUND**

School Corporation officials became aware that Heather Stoner (Stoner), former Food Service Director, was voiding her children's cafeteria account charges. Stoner was hired by the School Corporation on November 14, 2011, as Head Cook and on January 1, 2014, as Food Service Director. Records indicate Stoner's last day of employment was January 31, 2017.

The Indiana State Board of Accounts was notified by the school officials in accordance with IC 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the accounting of student cafeteria accounts showing Stoner as the system user modifying the accounts. The following describes noncompliance with statutes or the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations.

**UNAUTHORIZED VOIDED CAFETERIA TRANSACTIONS**

During the period November 2, 2015 to January 20, 2017, records indicate that Stoner voided her children's cafeteria account purchases. During the 2015-2016 school year, 464 purchases totaling \$878.80 were voided and 416 purchases totaling \$834.05 were voided in 2016-2017.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Stoner was requested to reimburse the School Corporation \$1,712.85 for unauthorized voided cafeteria transactions. Reimbursement was received from Stoner on June 18, 2019, Receipt No. 006378. (See Summary of Charges, page 16)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred additional costs due to the special investigation of the unauthorized voided cafeteria transactions.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Stoner was requested to reimburse the State of Indiana \$1,392.25 for special investigation costs. Reimbursement was received from Stoner on June 25, 2019, Receipt No. 8181. (See Summary of Charges, page 16)

WHITE RIVER VALLEY SCHOOL DISTRICT  
RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROLS**

Internal control weaknesses existed that contributed to Stoner's ability to void her children's cafeteria purchases without detection. Stoner, as Food Service Director, was responsible for operating the School Corporation's cafeterias, which included purchasing and maintaining an inventory of all food, supplies, and equipment. Her duties also included standardizing cafeteria account procedures, inspecting school cafeteria facilities, visiting all lunchrooms and cafeterias, reviewing and evaluating all requests for purchases of new and replacement equipment, applying for federal subsidies, disbursing all federal funds to the various school funds, applying for government surplus food and directing its distribution and transfer, and checking all government reimbursements.

There was not effective oversight conducted in relation to the cafeteria account activity from another employee.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual: Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. These standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties.

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**EMPLOYEE BLANKET BOND**

<u>Period</u>	<u>Amount</u>
01-01-15 to 01-01-16	\$ 100,000
01-01-16 to 06-30-16	100,000
07-01-16 to 06-30-17	100,000

WHITE RIVER VALLEY SCHOOL DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on May 8, 2019, with Dr. Robert M. Hacker, Superintendent of Schools; Jayne A. Kaho, Treasurer; and David Reed, President of the School Board.

The contents of this report were discussed separately on May 8, 2019, with Heather Stoner, former Food Service Director.

**WHITE RIVER VALLEY SCHOOL DISTRICT**  
**"Home of the Wolverines"**

Dr. Robert M. Hacker, Superintendent  
Mrs. Jayne Kaho, Treasurer  
Mrs. Michelle Emmons, Payroll

5644 West State Road 54  
PO Box 1470  
Switz City, Indiana 4746

Board of Education  
Mr. David Reed, President  
Mr. Joe Decker, VP  
Mr. Andy Davis, Secretary  
Mr. Jason Davidson  
Mr. Brock Hostetter  
Mr. Bruce Porter  
Mr. Roger Shake

May 9, 2019

To Whom It May Concern:

This document pertains to the Special Investigation findings involving White River Valley Schools and former Food Services Director, Heather Stoner. The findings, issued to us initially on May 8, 2019 for incidents occurring from November 2, 2015 through the last day of her employment, January 21, 2017, denoted a lack of internal controls.

Through the changes made following the first audit of my superintendency in June, 2018, White River Valley School District has made great strides in this area. There have been two updates in our district policies made through NEOLA that have helped us shore up the weaknesses reviewed in the special investigator's report.

I have attached both policy updates and the White River Valley Board of Education meeting minutes when those two policy upgrades took place. Furthermore, we have also secured an initial report from our financial software company, Harmony, which allows for a three individual sign-off system for any voided transaction in our student lunch/breakfast system.

The internal controls system put into place following the June, 2018 audit by the State Board of Accounts has shored up the weakness areas pointed out by the investigator long before the report was issued. The Food Services Director, the District Treasurer, and the Superintendent are all responsible for a checks-and-balances system that has tightened up the financial procedural safeguards necessary to prevent this situation from occurring again.

We appreciate the help of the State Board of Accounts, our field auditors, and the special investigative auditor for helping us with the necessary changes to protect the district from further theft or fraud.

Should you need further information on the information contained within this document, please do not hesitate to contact me at [bhacker@wrv.k12.in.us](mailto:bhacker@wrv.k12.in.us).

Sincerely,



Dr. Robert M. Hacker, Superintendent

Enclosures: SBOA Rebuttal Request Form; Policy Update #1 for Finances #6115; Policy Update #2 for Finances #6111; White River Valley Board of Education Meeting Minutes for January 17, 2019

May, 2018  
(New Ownership)

**BOARD of SCHOOL TRUSTEES  
WHITE RIVER VALLEY SCHOOL DISTRICT**

**FINANCES  
6115/1 of 1**

**INTERNAL CONTROLS**

All employees, board members, consultants, vendors, contractors and other parties maintaining a business relationship with the school corporation shall act with due diligence in duties involving the school corporation's fiscal resources.

Per state law, the Board adopts the Uniform Internal Control Standards for Indiana Political Subdivisions in order to aid in the prevention and detection of fraud, financial impropriety, or irregularity.

The SUPERINTENDENT shall be responsible to implement the internal control standards designed to prevent and detect fraud, financial impropriety, or fiscal irregularities within the school corporation and to recommend to the Board any policies or procedures required to carry out these standards.

Training shall be provided on internal control standards and procedures to all school employees and newly hired employees whose duties include receiving, processing, depositing, disbursing, or having access to school and extracurricular funds. Such training should be given periodically to these employees whenever the standards have been changed or updated, including new school corporation policies and procedures relating to the internal control standards and training to refresh the employees on the standards requirements.

**LEGAL REFERENCE: IC 5-11-1-27**

**JANUARY 17, 2019  
REGULAR BOARD MEETING  
WHITE RIVER VALLEY SCHOOL CORPORATION**

The White River Valley School Board of Trustees met in regular session on January 17, 2019 at 7:00 p.m. at WRV High School room 110 with seven (7) members present: Mr. David Reed, Mr. Joseph Decker, Mr. Andrew Davis, Mr. Roger Shake, Mr. Jason Davidson, Mr. Brock Hostetter, and Mr. Bruce Porter. Also: Dr. Robert Hacker, Ms. LeAnne Kelley, Mr. Jason Walton, Mrs. Jill Staggs and Mr. Ron Sparks, SRO.

**ATTENDANCE**

The meeting was called to order by President Reed.

Mr. Shake made a motion to approve the minutes of the December 21, 2018 regular public meeting and the January 4, 2019 Restructuring Meeting. The motion was seconded by Mr. Porter. The motion passed 7-0.

**APPROVE MINUTES  
RESTRUCTURE &  
REGULAR MEETINGS**

Mr. Davidson made a motion to approve the Certification of the Executive Session Memorandum for January 4, 2019 Restructuring Meeting and the January 17, 2019 regular public meeting. The motion was seconded by Mr. Decker. The motion passed 7-0.

**CERTIFICATION OF  
MEMORANDUM  
JAN 4<sup>TH</sup> & 17<sup>TH</sup>**

Mr. Decker made a motion to approve the Corporation claims from December 20, 2018 through January 16, 2019. The motion was seconded by Mr. Shake. The motion passed 7-0.

**APPROVE CLAIMS**

**OLD BUSINESS**

**A. NEOLA Policies – 2<sup>nd</sup> Read**

1. 8120 - Volunteers
2. 8121 – Personal Background Checks – Contracted Services
3. 8330 – Student Records
4. 8462 – Child Abuse and Neglect
5. 8600 – Transportation
6. 8800 – Religious/Patriotic Ceremonies and Observances  
EDGAR/UGG FEDERAL POLICIES
7. 6110 – Grant Funds (Uniform Grant Guidance) (Revision)
8. 6111 – Internal Control Standards and Procedures (New)
9. 6112 – Cash Managements of Grants (New)
10. 6114 – Cost Principles – Spending Federal Funds (New)
11. 6116 – Time and Effort Reporting (New)
12. 6320 – Purchasing (Revision)
13. 6325 – Procurement – Federal Grant Funds (New)
14. 6460 – Conflicts of Interest and Vendor Relations (Revision)
15. 6550 – Travel Payment Reimbursement (Revision)
16. 7300 – Disposition of Real Property (Revision)
17. 7310 – Disposition of Surplus Property (Revision)
18. 7450 – Property Inventory (Revision)
19. 8500 – Food Services (Revision)

JANUARY 17, 2019 REGULAR BOARD MEETING MINUTES

Each board member has had these policies for the past month. It is my recommendation that we approve these NEOLA updates as provided.

Mr. Hostetter made a motion to approve the above 19 NEOLA policies. The motion was seconded by Mr. Davis. The motion passed 6-1. Mr. Porter voted against.

**APPROVE NEOLA  
POLICIES**

**NEW BUSINESS**

A. Transportation Director Report – Jason Walton

I would like for the people that we have in charge of different responsibilities to give a public update to the Board regarding their respective areas. Tonight, I have asked Mr. Walton to talk about our transportation system.

Mr. Walton updated the Board on the transportation system.

Mrs. Ruan Fougousse recognized the BPA students on their success at Regional Competition. (List attached)

**B. Technology Director Report -Mr. Shawn Brown**

In the same light, I would also like for Mr. Brown to address the Board and the public regarding our Technology Department and a couple of issues that are currently being worked on in this area. One being Access Points.

Mr. Porter made a motion to approve the purchase of access points. The motion was seconded by Mr. Hostetter. The motion passed 7-0.

**APPROVE ACCESS  
POINTS PURCHASE**

**C. NEOLA Updates – 1<sup>st</sup> Read**

As we have for the last couple of months, we are updating our school policies utilized through NEOLA. There is no board action necessary on this new update tonight, but I will be coming back next month and asking for approval. Remember, these updates occur as various new laws and regulations take effect and court cases are settled around the state.

**D. District Financial Update**

HB 1009 has now taken effect within the State of Indiana. The law allows for a one time transfer from the Education to the Operations Fund prior to March 1<sup>st</sup> from the Budget Year 2018 Final Funds Report. It is necessary to make that transfer through a Resolution and so this evening I am asking for the approval of this Resolution. The percentage of General Fund money moved to the Operations is 18%, which is a little over \$106,000. The Resolution states as follows... (Go to Resolution)

Mr. Shake made a motion to approve the Resolution. The motion was seconded by Mr. Decker. The motion passed 7-0.

**APPROVE RESOLUTION  
TO TRANSFER**

**E. WRV ES Gymnasium Roof Recommendation**

Over the course of the last five years, we have had the opportunities to make much needed facility updates because we haven't had to use our CPF to fund our General Fund because of our General Fund Operating Referendum. We have six items left on our original list that we published prior to the GFOR; one of those is being handled this evening. We have looked at a number of ways to fix our gymnasium roof; tonight, I am recommending that we hire Insulated Roofing Contractors out of New Albany, Indiana to complete the ES roofing project during the summer of 2019 at a cost of \$71,000. This project would be financed out of the CPF Funds. Discussion followed,

Mr. Porter made a motion to table the Elementary gym roof. The motion was seconded by Mr. Shake. The motion passed 7-0.

**TABLE GYM ROOF @  
E S**

Mr. Porter made a motion to approve the FFA National Farm Machinery Show field trip to Louisville, KY Feb. 15, 2019(out of state) and the BPA State Finals – Sunday, March 10-Tuesday, March 12, 2019(overnight trip) The motion was seconded by Mr. Decker. The motion passed 7-0.

**APPROVE FFA & BPA  
FIELD TRIPS**

Mr. Shake made a motion to add an additional agenda item. The motion was seconded by Mr. Decker. The motion passed 7-0.

**ADD ADDITIONAL  
AGENDA ITEM**

**STUDENT TRANSFER REQUEST**

After August 1<sup>st</sup> of the school year, our policy on out-of-district student transfers requires board approval. This evening Mr. Walton has a young lady whose parents have requested permission for her to attend our middle school. He has done the required administrative duty and recommends that we accept this individual. I would concur with his recommendation.

Mr. Davis made a motion to approve the middle school student transfer. The motion was seconded by Mr. Shake. The motion passed 7-0.

**APPROVE M S STUDENT  
TRANSFER**

**PERSONNEL**

Mr. Porter made a motion to accept the retirement of Debra Nolting, WRV ES Teacher. The motion was seconded by Mr. Decker. The motion passed 7-0.

**ACCEPT RETIREMENT -  
D NOLTING**

Mr. Hostetter made a motion to approve Robb Hamm-WRV HS Volunteer Varsity Baseball Assistant Coach and Jacob Burris-WRV HS Volunteer Varsity Baseball Assistant Coach pending successful criminal history checks. The motion was seconded by Mr. Davidson. The motion passed 7-0.

**APPROVE R HAMM &  
J BURRIS – VOL VAR  
BASEBALL**

Mr. Porter made a motion to reassign Jade Bridges – WRV HS Business Teacher for 2019-20. (Currently teaches HS Math). The motion was seconded by Mr. Shake. The motion passed 7-0.

**J BRIDGES – WRV HS  
BUSINESS 2019-20**

Mr. Decker made a motion to waive the public comment policy. The motion was seconded by Mr. Davidson. The motion passed 7-0.

**WAIVE PUBLIC  
COMMENT POLICY**

**PUBLIC COMMENTS: NONE**

Mr. Decker recognized Sunny Thompson, retired teacher from Worthington-Jefferson School, and asked for a moment of silence.

Mr. Porter made a motion to move the Feb. 21<sup>st</sup> meeting to Feb. 18, 2019. The motion was seconded by Mr. Decker. The motion passed 7-0.

**MOVE FEB MEETING  
TO FEB. 18<sup>TH</sup>**

**JANUARY 17, 2019 REGULAR BOARD MEETING MINUTES**

**INFORMATION**

Public Board Work Session #1	Wednesday, Jan. 23, 2019	5:30PM	HS Cafeteria
Supt. Office Hours	Monday, Feb. 4, 2019	5-8 PM	Admin Center
WRV HS Schedule/Programs	Thursday Feb 7, 2019		
Public Board Work Session #2	Wednesday, Feb 13, 2019	5:30PM	ES Cafeteria
Executive Session	Monday, Feb.18, 2019	6PM	Admin Center
Public Board Meeting	Monday, Feb. 18, 2019	7PM	HS Room 110

Mr. Davidson made a motion to adjourn. The motion was seconded by Mr. Shake. The motion passed 7-0.

**ADJOURNMENT**

NEW POLICY under EDGAR/UGG

## 6111 - INTERNAL CONTROL STANDARDS AND PROCEDURES

The Superintendent shall establish and maintain effective internal control standards and procedures for all funds received by the School Corporation, including financial grants and awards from Federal and State sources, that provide reasonable assurance that the program and funds are managed in compliance with applicable Federal and State statutes, Federal and State regulations, and the terms and conditions of any award made to the Corporation.

The Corporation will have a process that provides reasonable assurance regarding the achievement of the following objectives:

- A. effectiveness and efficiency of operations;
- B. reliability of reporting for internal and external use; and
- C. compliance with applicable laws and regulations.

The internal control standards and procedures must provide reasonable assurance that transactions are properly recorded and accounted for in order to permit the preparation of reliable financial statements that are consistent with Generally Acceptable Accounting Practices (GAAP) and Federal and State reports; maintain accountability over assets; and demonstrate compliance with Federal and State statutes, Federal and State regulations, and the terms and conditions of the awards.

The internal control standards and procedures also must provide reasonable assurance that these transactions are executed in compliance with Federal and State statutes, Federal and State regulations, and the terms and conditions of the award that could have a direct and material effect on any grant or award, as well as any other Federal and State statutes and regulations that are identified in the compliance supplements issued by the U.S. Office of Management and Budget (OMB) and/or directives of the State Board of Accounts (SBOA).

Finally, the Corporation's internal control standards and procedures must provide reasonable assurance that all Federal and State funds, property, and other assets are safeguarded against loss from theft, fraud, or unauthorized use or disposition.

Further, erroneous or irregular variances, losses, shortages, or thefts of any amount of Corporation funds or property whose source is a Federal grant or award are considered material and therefore are to be reported immediately to the SBOA as required by Federal and State law.

Other than with respect to Corporation funds or property whose source is a Federal grant or award, any erroneous or irregular variances, losses, shortages, or thefts of Corporation funds or property in excess of \$50,000 Corporation Funds/Accounts maintained at the Corporation Office and/or \$5,000 Extra-Curricular Accounts maintained at the building level are considered material and therefore are to be reported immediately to the SBOA as required by State law.

The Corporation shall:

- A. comply with Federal statutes, regulations, and the terms and conditions of the Federal awards, whether the funds are received directly from the Federal government or are distributed through the State Department of Education or another State agency or department;
- B. comply with State statutes and regulations related to the management and control of all funds received by the Corporation from any source;
- C. evaluate and monitor its compliance with statutes, regulations, and the terms and conditions of Federal grants and awards, as well as all other funds received by the Corporation;
- D. investigate all variances, losses, shortages, or thefts of Corporation funds or property, document the investigation and its results, and maintain a record of the investigation and its results;
- E. take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; and
- F. report all misappropriations of Corporation funds or property to the SBOA and the county prosecuting attorney whenever a Corporation employee has actual knowledge of or reasonable cause to believe that a misappropriate has occurred;
- G. provide, upon employment and periodically thereafter, training concerning the internal control standards and procedures established for the Corporation for any personnel whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the Federal government, State government, the Corporation, or other governmental entities; and
- H. take reasonable measures to safeguard protected "personally identifiable" information (PII) and other information the awarding agency or pass-through entity designates as sensitive or the Corporation considers sensitive consistent with applicable Federal, state, local, and tribal laws and Corporation policies regarding privacy and obligations of confidentiality.

PII is defined at 2 C.F.R. 200.79 as "information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. "

However, the definition of PII is not anchored to any single category of information or technology. Rather, it requires a case-by-case assessment of the specific risk that an individual can be identified.

I.C. 5-11-1-27  
2 C.F.R. 200.61-.62  
2 C.F.R. 200.79  
2 C.F.R. 200.203  
OMB Circular A-21 Compliance Supplement  
OMB Circular A-110 Compliance Supplement  
OMB Circular A-133 Compliance Supplement

Adopted 4/25/16

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**INTERNAL CONTROL TRAINING CERTIFICATION  
FOR ELECTED OFFICIALS, APPOINTEES, AND EMPLOYEES**

I, \_\_\_\_\_, the duly elected, appointed, or employed  
(print name)

\_\_\_\_\_ for \_\_\_\_\_ certify that I  
(position or title) (political subdivision)

received the following training concerning internal controls standards and procedures as required  
by Ind. Code § 5-11-1-27(g)(2):

Title of Training	Time Spent
_____	_____
_____	_____
_____	_____

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\* This certification may be printed, signed, and retained in paper form or electronically. If signed electronically, the elected official, appointee, or employee must designate his or her signature by typing the last four (4) digits of their Social Security number in the signature line.

WHITE RIVER VALLEY SCHOOL DISTRICT  
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Heather Stoner, former Food Service Director:			
Unauthorized Voided Cafeteria Transactions, page 3	\$ 1,712.85	\$ 1,712.85	\$ -
Special Investigation Costs, page 3	<u>1,392.25</u>	<u>1,392.25</u>	<u>-</u>
Totals	<u>\$ 3,105.10</u>	<u>\$ 3,105.10</u>	<u>\$ -</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.